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Genevieve Morelli
Vice President & General Counsel

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

March 17, 1994

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M St., N.W.
Room 222
Washington, D.C. 20554

Re: Ex Parte Communication
CC Docket No. 92-77

Dear Mr. Caton:

Today Genevieve Morelli, James M. Smith, and Brad Mutschelknaus, representing the Competitive Telecommunications Association ("CompTel"), met with Karen Brinkmann of Chairman Hundt's office to discuss the above-captioned proceeding. A copy of the materials discussed during this meeting is attached.

Please direct any questions concerning this letter to the undersigned.

Sincerely,

Genevieve Morelli
Genevieve Morelli

cc: Karen Brinkmann

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CompTel
March 17, 1994

BILLED PARTY PREFERENCE

o HOW MUCH WILL IT COST CONSUMERS?

- CompTel estimates \$1.5 to \$2 billion plus annual operational costs
- LECs estimate over \$1 billion plus annual operational costs
- MCI claims LEC estimates are "excessive by over 40 percent" -- yet it relies on LECs for support of its position on BPP (Ex parte, 12/23/93).
- Frost & Sullivan Market Research estimates 63¢ per telephone call affected by BPP

(MCI disputes Frost & Sullivan findings based on claims that (1) F&S should have included 2 billion more calls as "benefitted" by BPP, even though these calls now reach the caller's carrier of choice without BPP; (2) F&S should have relied on MCI cost estimates rather than those of LECs -- the entities who will incur and assess those costs; and (3) F&S was wrong to assume that premises and payphone owners will find other ways to recover commission revenues they would lose under BPP)

o WHO SUPPORTS BPP?

- Primarily the national IXC's who reason they can strip market share from AT&T and regional IXC's/OSP's (because nationwide presubscription will naturally favor nationwide over regionally-based IXC's), and a dwindling number of LECs who will get an expanded monopoly and substantial processing fee on every call. Some supporting IXC's also oppose 0+ balloting as too expensive, instead advocate mere assignment (to them) based on 1+ decisions of users. MCI and Sprint stand to gain an estimated \$1.3 billion a year from competitors if BPP is implemented.
- Largest IXC [AT&T] and nearly all smaller IXC's [CompTel] oppose BPP. CompTel believes nationwide presubscription under BPP would virtually preclude 0+ competition opportunity for regionally-based IXC's, and oligopolize 0+ long-distance calling.
- CAPs (ALTS, MFS, TCG) oppose BPP: would impede development of competition for local access services, would preclude alternatives to LECs for 0+ calls (Ex parte 1/10/94)

- Call aggregators, including hotel/motels, payphone providers, universities and state agencies, oppose BPP because it renders obsolete their recent unblocking investments and/or denies them compensation for use of their facilities.
- The author of landmark 1990 legislation to remedy problems with and fairly regulate 0+ calling, Rep. Jim Cooper, opposes BPP, as do many other Members of Congress (letter from 11 Members of Congress to Acting Chairman Quello, 11/19/93; letter from Rep. Jack Fields, 11/4/93; letter from 6 Senators, 10/25/93)
- LECs?
 - o Bell Atlantic -- which proposed BPP in the first place -- now opposes BPP because of its high cost and in recognition of the fact that it is a "problem" that has been largely solved by intervening events (passage of Telephone Operator Consumer Services Improvement Act of 1990, mandatory 10XXX unblocking, FCC rate investigations, branding/signage, consumer awareness)
 - o NYNEX and BellSouth oppose BPP
 - o Southwestern Bell, GTE and Ameritech favor BPP only under defined circumstances, including the absence of 14-digit screening, which Sprint insists upon. (See Ameritech ex parte, 9/3/93). "GTE explains...its decision to withdraw support for BPP if either 14-digit screening or mandated joint cards are incorporated as a BPP requirement." (GTE ex parte, 2/9/94). "SWBT is opposed to BPP if ordered in a manner different than the positions proposed by SWBT" [e.g., 14-digit screening; disagreement with MCI over cost recovery]. "Actual BPP consumer and competitive benefits versus implementation intervals, IXC participation and costs should drive this decision." (SWBT ex parte, 1/27/94)
 - o Pacific Bell supports BPP, but with a major equivocation (ex parte 12/3/93, p. 19: "BPP Alternative... If for any reason BPP's cost benefit were to shift, the FCC should reconsider 0+ public domain as an alternative").
 - o No LEC unequivocally supports BPP
- o WHY BPP NOW?
 - o As BOC interLATA entry gets serious consideration, BPP would make operator processing a new LEC monopoly, perpetuate intraLATA monopoly, freeze out competing credit card issuers, and eliminate many existing 0+ IXCs. Is this the way to expand competition through BOC entry?